

# The Grand Union Company

## Report to Stockholders

Fiscal Year Ended  
February 28, 1942

## OFFICERS

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J. SPENCER WEED	-	-	-	-	-	-	-	-	-	<i>President</i>
LANSING P. SHIELD	-	-	-	-	-	-	-	-	-	<i>Vice-President</i>
LOUIS C. WADMOND	-	-	-	-	-	-	-	-	-	<i>Vice-President</i>
SAMUEL WINOKUR	-	-	-	-	-	-	-	-	-	<i>Secretary</i>
THOMAS C. BUTLER	-	-	-	-	-	-	-	-	-	<i>Treasurer</i>

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## DIRECTORS

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PEMBERTON BERMAN  
 CAXTON BROWN  
 JOHN FOSTER DULLES  
 ARCHIBALD MACFARLANE  
 RAY MORRIS  
 LANSING P. SHIELD  
 J. SPENCER WEED



April 24, 1942

TO THE STOCKHOLDERS:

There is submitted herewith for the fiscal year ended February 28, 1942, the consolidated financial statements of The Grand Union Company, together with the certificate of the auditors.

Net earnings for the fiscal year, after all charges for taxes, depreciation, etc., amounted to \$395,092, equivalent to \$1.78 per share on 222,738 shares of capital stock outstanding. These compare with earnings for the preceding year of \$581,124, or \$2.60 per share. Total sales for the year amounted to \$39,570,254, as compared with \$35,065,463, for the previous year.

Payment of the remaining balance of the outstanding Dividend Arrearage Certificates on February 20th, 1942, was authorized, making a total of \$117,641 paid or authorized for payment on these certificates during the fiscal year.

During the last year substantially more money has been required to conduct the business because of sharply advanced costs of merchandise. In addition, because markets are still rising and because of the uncertainty of deliveries, it is necessary to carry heavier inventories of many items. With this in mind, capital expenditures are being held to a minimum in order to keep the Company in as liquid a position as possible during the uncertain days ahead.

The sharp increase in the wholesale prices of coffees and teas which account for a large part of the business of our wagon route division has adversely affected that part of our business because of the impracticability of advancing retail prices as fast as costs have advanced.

In our chain store business, much of the advantage resulting from purchasing ahead on advancing markets has not been retained because retail prices to a large extent have been set on the basis of actual costs rather than replacement costs. The index of retail food prices continues to lag far behind the wholesale price level. In an industry and in an area as competitive as ours, we can not disregard the policy and trend of the industry but, beyond this, we deem it a patriotic privilege to cooperate thus with the government in its efforts to maintain orderly marketing and to avoid inflation.

Retail sales for the first seven weeks of the new fiscal year show an improvement of 13% over the corresponding period a year ago.

No one can foresee what effects rationing, priorities, restricted supplies, increased taxation or other necessary measures taken by our government in connection with the war effort, may have upon the food industry but the entire organization is ready to exert every effort possible to meet intelligently and in the interests of the Company each situation as it arises.

J. SPENCER WEED,  
*President*

CONSOLIDATED  
At February 28, 1942

ASSETS

Current assets:

Cash on hand and demand deposits in banks	-	-	-	-	-	-	-	-	-	\$1,025,901.00	
Accounts receivable:											
Trade	-	-	-	-	-	-	-	-	-	\$ 622,181.05	
Miscellaneous	-	-	-	-	-	-	-	-	-	145,840.75	
										<u>768,021.80</u>	
Less, Allowance for losses	-	-	-	-	-	-	-	-	-	132,207.63	635,814.17
Operating advances to and receivables from agents and employees	-	-	-	-	-	-	-	-	-	-	9,215.00
Inventories at the lower of cost or market:											
Merchandise	-	-	-	-	-	-	-	-	-	3,985,599.63	
Premiums	-	-	-	-	-	-	-	-	-	337,066.97	4,322,666.60
<small>Costs of inventories at warehouses are determined on the basis of "first in-first out." The "retail method" of accounting is used with respect to inventories at retail outlets. Supplies which in prior years were included with inventories are included below with deferred charges, etc.</small>											
Total current assets	-	-	-	-	-	-	-	-	-	-	5,993,596.77

Investments:

Mortgages, at costs, less \$8,201.50 allowance for losses	-	-	-	-	-	-	-	-	-	154,798.50	
Miscellaneous, at costs, less \$2,224.13 allowance for losses	-	-	-	-	-	-	-	-	-	1,440.67	156,239.17
Real estate at market values as at various dates in 1933, per appraisals of Scott Realty Appraisal Co., plus addition of \$7,868.14 representing the net amount at which a mortgage foreclosed during 1934 was previously carried, and subsequent improvements at costs	-	-	-	-	-	-	-	-	-	143,468.80	
Less, Allowance for depreciation of improvements	-	-	-	-	-	-	-	-	-	17,855.41	125,613.39
Machinery, fixtures and equipment at cost, except as to \$791,052.98 at amounts at which revalued as at December 31, 1932 by Board of Directors	-	-	-	-	-	-	-	-	-	2,978,105.53	
Less, Allowance for depreciation	-	-	-	-	-	-	-	-	-	1,583,792.75	1,394,312.78
Premium merchandise advanced to customers, at cost, less cost of profit-sharing credits	-	-	-	-	-	-	-	-	-	690,265.44	
Less, Allowance for losses	-	-	-	-	-	-	-	-	-	190,379.65	499,885.79
Expense supplies (\$228,776.15), prepaid expenses, deferred charges, deposits, etc	-	-	-	-	-	-	-	-	-	-	374,746.80
Good will	-	-	-	-	-	-	-	-	-	-	1.00
											<u>\$8,544,395.70</u>

The Grand Union Company,  
New York, N. Y.

We have examined the consolidated balance sheet of THE GRAND UNION COMPANY and its Subsidiary as of February 28, 1942 and their consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the accounting principles of the companies and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting documents applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the above consolidated balance sheet and related consolidated statements of income, surplus appropriated for dividend arrearage and consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the accounting principles of the companies and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting documents applicable in the circumstances and included all procedures which we considered necessary.

New York, April 21, 1942.



ION COMPANY  
(CORPORATION)  
SUBSIDIARY

BALANCE SHEET

February 28, 1942

LIABILITIES

Current liabilities:

Bankers' acceptances against coffee received under trust receipts	-	-	-	-	-	\$	186,602.93
Notes payable to banks	-	-	-	-	-	-	500,000.00
Accounts payable and accrued liabilities	-	-	-	-	-	-	1,508,869.95
Provision for federal income tax	-	-	-	-	-	-	167,371.75
Amounts payable upon surrender of unexchanged certificates for old preference stock, coupons representing distributions on dividend arrearage certificates and scrip for fractional shares of capital stock	-	-	-	-	-	-	36,070.06
Total current liabilities	-	-	-	-	-	-	2,398,914.69

Employees' fidelity and other deposits	-	-	-	-	-	-	165,175.95
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Reserves:

For unredeemed premium tickets	-	-	-	-	-	\$	36,237.24
For real estate and investments, representing net excess of selling prices over net book amounts of real estate and investments sold	-	-	-	-	-	33,874.70	70,111.94
							<u>2,634,202.58</u>

Note: The company is contingently liable for approximately \$24,000 of unused balances of letters of credit.

CAPITAL

Capital stock, no par value, authorized 400,000 shares, issued 222,738 12/15 shares (see note below)	-	-	-	-	-	-	4,322,248.00
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Note: The 222,738 12/15 shares shown above include 2,065 shares of capital stock represented by unexchanged certificates for an equal number of shares of old preference stock and 1,110 14/15 shares of capital stock represented by unexchanged certificates for 16,664 shares of old common stock.

Capital surplus, March 1, 1941 and February 28, 1942	-	\$	497,241.95			
Earned surplus since December 8, 1939, as annexed	-	-	1,091,426.98	1,588,668.93		
				5,910,916.93		
Less, Treasury stock, 69 14/15 shares, at cost	-	-	-	723.81	5,910,193.12	
					<u>\$8,544,395.70</u>	

Consolidated statements of income and surplus for the fifty-two weeks then ended, have reviewed the systems of internal control and the accounting procedures including evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards

certificates and earned surplus, present fairly the consolidated position of The Grand Union Company and its subsidiary at February 28, 1942 and the consistent with that of the fifty-two weeks ended March 1, 1941.

LYBRAND, ROSS BROS. & MONTGOMERY

## for the fifty-two weeks ended February 28, 1942

[illegible]

### CONSOLIDATED STATEMENT OF EARNED SURPLUS

for the fifty-two weeks ended February 28, 1942

[illegible]

CONSOLIDATED STATEMENT OF SURPLUS  
APPROPRIATED FOR DIVIDEND ARREARAGE CERTIFICATES

for the fifty-two weeks ended February 28, 1942

Balance, March 1, 1941 representing dividend arrearage certificates issued or issuable (81,132 units at \$1.45) -	-	-	-	-	-	-	-	-	-	-	\$117,641.40
Less, Distributions at rate of \$1.45 per unit	-	-	-	-	-	-	-	-	-	-	117,641.40
Balance, February 28, 1942 -	-	-	-	-	-	-	-	-	-	-	None



